

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGES

Docket No. CP2022-22

USPS RESPONSE TO CHAIRMAN'S INFORMATION REQUEST NO. 4
(December 13, 2021)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 4, which was issued on December 7, 2021. Responses were due by December 14, 2021. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response. Certain material associated with these responses is being filed under seal. The Postal Service hereby incorporates by reference the Application for Non-Public Treatment originally filed in this docket for the protection of the material filed under seal.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please consider the following hypothetical situation. A mailer drops off a USPS Connect Local package on a Saturday and would like the package to arrive at its destination on Sunday.
 - a. Please confirm that the mailer will have the option to not pay the Sunday Delivery Fee and still have the package arrive at its destination on Sunday. If not confirmed, please explain.
 - b. Please confirm that if the mailer pays the Sunday Delivery Fee, the Postal Service is not guaranteeing delivery on Sunday for USPS Connect Local. If not confirmed, please explain what obligation(s) the Postal Service will need to fulfill in the event of not delivering a package on Sunday when the Sunday Delivery Fee was paid.

RESPONSE:

- a. Not confirmed. If the customer does not choose Sunday delivery in a participating office while in Click-N-Ship, they will not be charged a fee and their package will be delivered on Monday. The expected date of delivery would reflect Monday in the Click-N-Ship system as well as on the label.
- b. If the mailer pays the Sunday Delivery Fee, the Postal Service is guaranteeing a delivery attempt on Sunday. If the Postal Service does not attempt delivery on a Sunday, the customer will be refunded the Sunday Delivery fee.

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2. The Governors' Decision No. 21-6 attached to the Notice states that "Commercial Base prices will, on average, reflect a 13.1 percent discount off of Retail prices." Notice, Governors' Decision No. 21-6 at 2. Please identify the cell(s) in the Excel spreadsheet titled, "PME Calc.xlsx" that demonstrate the calculation of the 13.1 percent discount or provide the calculation.

RESPONSE:

The calculation is: =SUMPRODUCT('Baseline Volume '!\$O\$9:\$V\$83,'Commercial Base'!\$C\$9:\$J\$83)/SUMPRODUCT('Baseline Volume '!\$O\$9:\$V\$83,'Retail'!\$C\$9:\$J\$83)-1.

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3. The Governors' Decision No. 21-6 attached to the Notice states that "Commercial Base prices will, on average, reflect a 17.9 percent discount off of Retail Prices." Notice, Governors' Decision No. 21-6 at 3. Please identify the cell(s) in the Excel spreadsheet titled, "PM Calc.xlsx" that demonstrate the calculation of the 17.9 percent discount or provide the calculation.

RESPONSE:

The calculation is: =SUMPRODUCT('Baseline Volume'!M9:T89,'New

Prices'!N9:U89)/SUMPRODUCT('Baseline Volume'!M9:T89,'New Prices'!C9:J89)-1.

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4. The Governors' Decision No. 21-6 attached to the Notice states that "[f]or January, Commercial Plus prices as a whole will receive a 1.2 percent increase and will average 18.6 percent off Retail prices." Notice, Governors' Decision No. 21-6 at 3. Please refer to Excel spreadsheet titled, "PM Calc.xlsx," tab, "Total," cell C5.
 - a. Please identify the cell(s) in the Excel spreadsheet titled, "PM Calc.xlsx" that demonstrate the calculation for the 18.6 percent discount or provide the calculation.
 - b. Please provide the calculation that supports the average price increase for overall Commercial Plus prices as a whole.
 - c. Please explain why the average price increase for overall Commercial Plus will be more than its average revenue increase presented in cell C5.

RESPONSE:

- a. The calculation is: $\text{=SUMPRODUCT('Baseline Volume'!X9:AE89,'New Prices'!Y9:AF89)/(SUMPRODUCT('Baseline Volume'!X9:AE89,'New Prices'!C9:J89)+SUMPRODUCT('Baseline Volume'!X10:AE10,'New Prices'!C11:J11))-1}$.
- b. The calculation is: $\text{='AR Revenue'!AG111/'Baseline Revenue'!AG111}-1$, and can be found in cell X5 of the "AR Revenue" tab.
- c. It will not. The Governors' Decision inadvertently reported the average Commercial Plus price change as 1.2%, which is the overall average price change for Commercial Base and Commercial Plus combined. The average Commercial Plus price change will be 0.4% as reported in cell C5 on the "Total" tab of the Price Calc file. A corrected signed Governors' Decision will be filed separately.

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5. The Governors' Decision No. 21-6 attached to the Notice states that "[o]n average, Parcel Select prices as a whole will increase 5.5 percent." Notice, Governors' Decision No. 21-6 at 3. Please refer to Excel spreadsheet titled, "PS Summary Calc.xlsx," tab, "Summary," cell H11.
- Please provide the calculations that support the average price increase for overall Parcel Select.
 - Please explain why the average price increase for overall Parcel Select will be less than its average revenue increase presented in cell H11.

RESPONSE:

- Please see "PS Calc Consolidated.xlsx," filed under seal, which is revised and expanded from "PS Summary Calc.xlsx" filed on November 10, 2021. The calculation supporting the average price change calculation for overall Parcel Select – which appears in cell J54 on the "Summary" tab – is as follows:
$$=SUM('After Rates Revenue PSDE'!K87, 'After Rates Revenue PSG'!J81, 'After Rates Revenue PSLW'!J26)/SUM('Before Rates Revenue PSDE'!J87, 'Before Rates Revenue PSG'!J81, 'Before Rates Revenue PSLW'!J26)-1.$$
Note that all the source information in "PS Calc Consolidated.xlsx" needed to calculate the average price change was previously filed separately (on November 10, 2021) in "PS DE Calc.xlsx," "PS Ground Calc.xlsx," and "PSLW Calc.xlsx." Now that information has been consolidated in a single summary file.
- The correct average price change for overall Parcel Select is +5.548 percent, rounding at one decimal to 5.5 percent. This can be seen in the cell J54 cited in the response to Question 5a above. The previously reported 5.6 percent (cell H11 on the "Summary" tab of "PS Summary Calc.xlsx") was incorrect due to an inadvertent rounding error.

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6. The Governors' Decision No. 21-6 attached to the Notice states that "[o]verall [First-Class Package Service (FCPS)] prices will increase 7.6 percent on average, with a 8.4 percent increase for FCPS-Retail and a 7.4 percent increase for FCPS-Commercial." Notice, Governors' Decision No. 21-6 at 4. Please refer to Excel spreadsheet titled, "FCPS Calc.xlsx," tab, "2022 FCPS Summary," cells E7:E9.
- Please provide the calculations that support the average price increase for overall FCPS, FCPS-Retail, and FCPS-Commercial.
 - Please explain why the average price increase for overall FCPS, FCPS-Retail, and FCPS-Commercial will be less than their respective average revenue increase presented in cells E7:E9.

RESPONSE:

- a. The calculation for overall FCPS is: $\text{=(SUMPRODUCT('FCPS AR Prices \& Revenue'!C6:J18,'FCPS Volume'!C6:J18)+SUMPRODUCT('FCPS AR Prices \& Revenue'!M6:T21,'FCPS Volume'!M6:T21))}/(\text{SUMPRODUCT('FCPS Volume'!C6:J18,'FCPS BR Prices \& Revenue'!C6:J18)+SUMPRODUCT('FCPS BR Prices \& Revenue'!M6:T21,'FCPS Volume'!M6:T21)})-1$, and results in the same value as cell E9. The calculation for FCPS-Retail is: $\text{=SUMPRODUCT('FCPS AR Prices \& Revenue'! C6:J18,'FCPS Volume'! C6:J18)}/\text{SUMPRODUCT('FCPS Volume'! C6:J18,'FCPS BR Prices \& Revenue'! C6:J18)}-1$, and results in the same value as found in cell E7. The calculation for FCPS-Commercial is: $\text{=SUMPRODUCT('FCPS Volume'!M6:T21,'FCPS AR Prices \& Revenue'!M6:T21)}/\text{SUMPRODUCT('FCPS BR Prices \& Revenue'!M6:T21,'FCPS Volume'!M6:T21)}-1$, and results in the same value as cell E8.
- b. It will not. The Governors' Decision inadvertently reported the average price change with incorrect figures for FCPS. The average price change will be 8.8 percent, with a 9.0 percent increase for FCPS-Retail and a 8.8 percent increase

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for FCPS-Commercial as reported in cells E7:E9 on "2022 FCPS Summary" tab.

A corrected signed Governors' Decision will be filed separately.

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7. Please specify whether the Postal Service performed any operational testing of USPS Connect Local.
 - a. If an operational test was performed, please describe the nature, scope, duration, and results obtained from such operational test. Please include in the description a list of ZIP Codes included in the operational test and identify the postage paid by mailers for USPS Connect Local during the test.
 - b. If an operational test was not performed, please confirm that the Postal Service intends to conduct an operational test for USPS Connect Local in the future.

RESPONSE:

- a. The Postal Service has been conducting an Operational Test, which began on July 19, 2021, and will end on January 9, 2022, with a geographical scope that is limited to Texas. Specifically, the Postal Service has been conducting a test of its operational capabilities relating to acceptance, processing, and delivery of Parcel Select® and Parcel Select Lightweight® packages entered close to their final destinations at certain designated Destination Delivery Units ("DDUs"). Customers participating in the USPS Connect™ Local-DDU Operational Test Program have been authorized to enter Parcel Select and Parcel Select Lightweight packages at participating DDUs at prevailing published prices. A list of participating DDUs is attached to this response in the Excel file titled "Connect Local offices_zips served.xlsx." The total amount of postage paid for Parcel Select and Parcel Select Lightweight packages by customers enrolled in the Operational Test to date is [FILED UNDER SEAL]. The customers in the Operational Test are paying the published Parcel Select Destination Entry DDU rates or published Parcel Select Lightweight DDU rates.
- b. Not applicable. An operational test was performed.

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8. The Notice states that “[for] USPS Retail Ground, prices for Zones 1-4 will be differentiated from Priority Mail, and customers shipping in those zones will no longer default to Priority Mail.” Notice at 3. Please explain the basis for the decision to differentiate USPS Retail Ground prices for Zones 1-4 from Priority Mail.

RESPONSE:

On average across Zones 1 - 4, Priority Mail gets faster service (is delivered in fewer days) than USPS Retail Ground. Priority Mail also has added value features that Retail Ground does not have, such as included insurance (up to \$50) and free packaging. The new price separation reflects these value distinctions.